LIVING IN A GLASS HOUSE
RELATIONSHIPS BETWEEN ORGANIZATIONS AND CUSTOMERS IN THE 21st CENTURY

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Abstract
Today, in the era of the Internet and social networks, organizations live in a glass house. Most of the activities and behavior of organizations are open to the public. Nike could not hide child labor in her sweatshops, and Amazon could not hide the disgraceful treatment to employees in company warehouses. When this happens, all the effort invested in producing a high quality product or service, may be lost.

Today, uncompromised product quality is essential, but it is no longer sufficient. Today's organizations must ensure the quality of all aspects of their operation, whether it interfaces with entities outside the organization (such as customers, suppliers, community), or their employees.

Many organizations around the world are beginning to realize that they need to adapt their organizational culture to the new reality.

The lecture focuses on presenting the new reality through real examples, and is divided into two parts:

In the first part we will see how corporate activities are exposed to public view. We will see how abusive employment, disregard for safety and environmental issues, and even the lack of consideration for customer needs, quickly find their way to the web and to online social networking, and influence customers attitude.
This raises the question: What do we do? How to deal with the new reality?

In the second part of the lecture we will look at how leading organizations are dealing with the new reality, how they adjust corporate culture, and how they even utilize this reality in their favor.

In conclusion, we will ask ourselves what is the role of quality professionals in this new reality. Are they, as professionals responsible for analyzing and identifying root problems, can help organizations deal with the fact that they needs to keep high values and an uncompromising quality in all areas of activity.

Introduction
The information revolution, which began 20 years ago, fundamentally changed the business environment. Globalization, increasing competition, disruptive technologies and business models, opinionated customers, rapid change and uncertainty, are all a result of the information revolution.

In this new environment, businesses can't continue to act as if nothing had happened. Organizational culture and management principles created by the Industrial Revolution, and formed in the first half of the 20th century, no longer fit the realities of the 21st century. It is especially important to note two fundamental changes:

1. The purpose of the firm – In the near past, the firm's purpose was to produce. If the firm produced a decent product, with a decent quality, and an affordable price, it could be pretty sure that it will find a market for this product. Today this is no longer the case, and therefore the purpose of the firm has to be changed. The goal of the firm today should be: to produce and retain customers. Only by building a solid, loyal, and growing customer base, the firm can succeed in the long run.
2. Stakeholders - the classic capitalist firm believes that management should maximize profit for the shareholders, all other things happen as a result. True life is full of evidence that it does not work, and managements began to understand that they have to take care of all stakeholders: employees, customers, and community. Only if management takes care of all stakeholders, they will ensure the long-term maximization of profits to shareholders.

In the 21st Century customers are central to the success of the firm. Only loyal and satisfied customers can ensure the long-term success of the firm, and thereby ensure sustainable income to shareholders. Therefore, we must realize the power of the customers, and understand how they can influence the success of the firm.

Customers' power

Back in the 1990’s the White House Office of Consumer Affairs commissioned a study on customer service. One of the interesting statistics revealed was that an unhappy customer might tell twenty or more people about the problem they had with a company. The Internet has changed this statistic radically. In 2009, United Airlines broke Dave Carroll's guitar. He wrote a song about it and put it on Youtube. This video was seen by more than 14 million people.

Customers can now affect directly, and quickly, the behavior of organizations. Just recently (August 2014), angry customers made "Zara" remove from the shelves, shirts reminiscent of Holocaust's extermination camps. Another example: In 2010, "Gap" was forced to cancel the change of its logo, due to customers' protests.

These of course are only a few examples. IN Israel, consumers can also take credit for a number of successes, like "The cottage cheese protest". As a result of it, Zahavit Cohen resigned from her job as chairman of "Tnuva".

21st Century definition of quality

Once we used to define quality as "meeting specifications". This means that if planning is bad, and production meets planning requirements, so in terms of quality, everything is fine. This means that we can design a lifeboat made of stone, build it according to the specification, and say that this is a quality boat even it could not even float.

Today we define quality as "meeting or exceeding customer expectations". There is no doubt that this is a better definition, because it refers primarily to customers. But it deals only with the product or service, and does not relate to all firm's activities. As we have seen, today's customers are no longer interested only in the product itself. They want to know that the firm treats employees properly, it protects the environment, is acting transparently, and so on.

Definition of quality, and definition of quality professionals' roles, needs to adapt to the new reality. A firm that wants to create new customers and retain existing customers should address all aspects of its operation as issues that are visible to the critical eye of the client. Today the firm has to meet customer expectations, and beyond them, in everything she does. Today's firms need to conduct an integrated quality system. True, there are a variety of functions in the organizations that are responsible for those issues: HR managers, Chief Compliance Officers, Chief Sustainability Officers, and additional positions, but only quality professionals know how to sustain a quality management system.

Integrated Quality Management

I opened the article with the information revolution, and the change it has brought to the business environment. The information revolution has also changed what happens in organizations. One of the most significant things is the restructuring of the market value of companies. In the 70s of last century, tangible assets accounted for 80% of the market value of companies. The remaining 20% were knowledge assets (non-tangible assets). Today this ratio is reversed, and knowledge assets account for 80% of the market value of companies. When we talk about "integrated quality management" We need to address the quality of knowledge assets. There are four types of knowledge assets:

Human Assets: The knowledge, the experience, the creativity, and the motivation that each employee brings to work.

Relationship Assets: The relations that exist with entities outside the firm: customers, suppliers, government agencies, and community.

Core Assets: Corporate vision, organizational values, corporate culture, management principles, and the like.

Structural Assets: Information systems, patents and brands, procedures and work processes, and many other components.

If we look carefully at the four types of knowledge assets, we will realize that the first two (human assets and relationship assets) are not really owned by the organization. The organization can't force employees to be highly motivated, and can't force customers to buy. Organizations can influence these important assets only by building core assets and structural assets that generate employee motivation and loyalty of customers.

Summary

In this article I tried to show that quality management in the 21st century should be treated not only as the quality of the product, or service, but the quality of all knowledge assets. The management of knowledge assets is still in its infancy, but most likely it will gain momentum in the coming years. Firms simply can't continue to ignore 80% of their market value. In recent years, studies have shown that organizations that manage their knowledge assets, achieve better business results than their competitors.